



Mexico: Business Aviation Industry

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August 08

Summary

Forecasts running through 2025 predict that the Latin America and Asia/Pacific regions will have the world's highest economic growth rates at 4.1% annually. Globally, demand for business jets will continue to grow while the business use of general aviation aircraft is predicted to expand more rapidly than the use of business jets for personal/sport use.ⁱ Honeywell has predicted that through 2016 new business jet sales will be worth \$195 billion dollars globally, of which Mexico and Brazil will lead the demand for the Latin American region.ⁱⁱ

With the second or third largest fleet of aircraft in the worldⁱⁱⁱ, Mexico is one of the three leading consumers of executive aviation products in the Latin American region (Mexico, Brazil and Venezuela), which attribute for almost 90% of the regional demand for executive jets. Apart from Mexico's business aviation industry growing at 7% a year for the last seven years, this industry is expected to sustain between 4 -6% growth regionally during the next decade, equating to approximately 500 and 700 new jets of all makes and models being demanded region-wide.^{iv}

This report aims to address the Business Aviation Industry in Mexico, a segment within the general aviation industry. The General Aviation Industry involves commercial aviation (cargo and passengers), military aircraft, business aviation, aviation parts and components among others sub-sectors. Although there appears to be no universally accepted definition of Business Aviation,^v for the purpose of this report we have allowed Business Aviation Industry to include the sale of new and used aircraft for private use, aerospace parts, maintenance and repair services (MRO/FBO), air taxi services, charter services and new market models such as aircraft leases by the hour. For more information on the general aviation industry in Mexico (which covers sectors not included in this report), please see our August 2007 general aviation report "Mexico: Aviation Industry Opportunities". This report is available at: http://www.buyusainfo.net/docs/x_4697919.pdf

Market Demand: Steady room for growth predicted

As the Mexican economy and tourism and transportation infrastructure continue to improve so does the consumption for business aviation products and services. Apart from becoming an important market for the consumption of private aircraft and services, Mexico is also developing an intermediate production capacity for the aviation/aerospace industry and for the business aviation industry. This ever-increasing aviation production capacity has been made possible through private and government assistance which seek to make Mexico a world-leader in aviation production. To accomplish this, education, investment (foreign and local), regional concentration and taking advantage of spill-over effects from automotive industry production and proximity to the U.S. have been employed methods. These trends present opportunities to U.S. firms that are interested in entering the dynamic and expanding Mexican business aviation products and services industry.

During the last seven years, the business aviation industry in Mexico has sustained 7% annual growth, according to Gilberto Lopez Meyer, Director General of the Mexican Civil Aeronautical Authority (DGAC).^{vi} It is estimated that between 2008 and 2017, the Brazilian and Mexican markets will represent 86% of the regional demand for executive jets.^{vii} Additionally, nearly 37% of Latin American fleets are expected to either replace or add additional aircraft during the next five years.^{viii}

There continues to be strong growth in the purchasing and renting of all types of aircraft, especially new models of very light jets (VLJ). VLJs have been one of the most dynamic niches within the business aviation industry. In the US, the FAA reduced restrictions to allow for the Fractional Jet Ownership program to work. In Mexico, these Fractional Jet Ownership businesses are present along with the rental firms and traditional aircraft services. According to the International Air Transport Association (IATA), air traffic has outpaced the growth of the rest of Mexico's economy since 2002. This increase is attributed to an increased level of business as well as leisure traffic.^{ix}

While most Latin American countries have only three or four major cities to support an air taxi service, Mexico's large national territory with scattered important industrial and resort developments, in addition to its proximity to the U.S., have enticed Mexican buyers to buy air taxi services and private aircraft. Mexico's economic opportunities continue to attract and foster businessmen while its geographic dispersion creates demand for flexible, fast and efficient links to domestic and global markets.

The Mexican helicopter market is currently predominated by non-executive use, but in the near future Mexican executives are expected to use helicopters more frequently as has already occurred in Brazil, according to Mersob Karalekiah, the former general director of Eurocopter de Mexico, S.A. de C.V.^x Eurocopter celebrates 25 years in Mexico with new investments to expand their participation in this region. What began initially as a maintenance operation has transformed to include helicopter sales within the last decade.

Demand in the aviation industry usually follows economic cycles but there are exceptions to this tendency. For example, despite the economic slowdown resulting from 9/11, business aviation continued to grow due to an increased demand by passengers seeking to avoid dealing with the increased post-9/11 airport security and the resulting travel inconveniences. As the global economy shows signs of slowing and oil prices have recently risen to record highs, it appears logical for such events to negatively affect demand. However, Mexican aircraft sales appear not to be showing any signs of slowing. Nevertheless, in terms of aircraft operations routes, frequencies, and destinations, Mexico as well as other emerging markets are experiencing changes to reduce costs and limit the effects of market turbulences on demand and market presence.

According to Ernesto Rois-Méndez, President of the Latin American Aeronautical Association (Asociación Latinoamericana de Aeronáutica) "...what is amazing is that with [political] instability and [civil] unrest so typical in Latin America, there is such growth in business aviation...". The latest contested Presidential election in Mexico in July 2006 was one such example of political uncertainty not dampening demand. Furthermore, Rois-Mendez, predicts steady-if not spectacular-room for growth for some time to come in the business aviation industry.^{xi} Moreover, in 2009, it is expected that the Mexican legislative and State elections will further stimulate the demand of air taxi services, leasing services and may potentially result in new aircraft purchases, as electoral laws prohibit the use of political party funds for commercial flights during campaigns, which leaves private flights as a potential alternative.

The Brazilian company Embraer has labeled Mexico as its main client for the upcoming years both for private and commercial aircraft. The company recently announced a partnership with a local authorized representative (July 2008) with the goal to sell at least six Embraer executive aircraft with a value of approx. USD\$25 million. As low-cost airlines proliferate in the region, Brazil and Mexico will also dominate demand for commercial jets that carry between 30 and 120 passengers.^{xii}

Aerospace Industrial Production

Mexico's strong automotive industry appears to have created a strong foundation for aviation and aerospace industries, which now have a solid platform to mature and begin satisfying the growing domestic demand for products and services.

"In 20 years our aerospace industry could be just as developed as our automotive industry", proclaimed Humberto Jasso, Director General of Heavy Industries and Technology Division of the Mexican Ministry of Economy.^{xiii}

The Mexican aerospace Industry has been steadily growing in three principal areas: 1) Design and Engineering, 2) Manufacturing and 3) MRO (Maintenance, Repair and Overhaul). Currently there are over 122 such firms operating in Mexico with diverse manufacturing activities. In 2007, 25 new aerospace companies arrived, according to the Mexican federal government.^{xiv}

U.S. aerospace firms have opened firms to outsource levels of their production, especially for Southern California companies. Some international companies are providing services as engineering design in Mexico, such as Bombardier, Aernnova, GE, ITR, Honeywell and Global Vantage. While in some cases the presence of these companies in Mexico is not totally new, their presence as a player within the Mexican aerospace industry is often a relatively recent occurrence.

The Mexican aviation/aerospace industry has several advantages: NAFTA's preferential duties on imports, cost and logistics advantages due to proximity to the U.S. The national security implications for the U.S. have made Mexico a natural partner for U.S. firms. These factors have contributed to the reason why Mexican production is still well ahead of usual competitor countries such as China or Brazil. Mexico hopes to maintain and deepen its advantage in aerospace production.

The capacity and talent developed in the automotive and electronic industry has helped in metal- mechanic and other key areas for the development of the aerospace industry. According the Ministry of Economy, while the aerospace industry is relatively new, it has been showing fast growth as the number of employees, within the aerospace industry has doubled in recent years to 16,500 workers.^{xv} In 2006, Mexico exported \$500M in aerospace products- \$178M of which went to the U.S.^{xvi} Between 1996 and 2005, Mexico's average annual growth of exports was 10.2% for the 26 tariff lines identified by the OECD as "high-tech aerospace".^{xvii} According to official statistics, Mexico is already the United States ninth largest supplier of aerospace products. Moreover, from 1990 to 2006, Mexico ranked as a top 30 aerospace market for U.S. exporters – a key, ever-advancing sector within aviation. During this period, export sales from the U.S. to Mexico grew by an annual average of 23.87%.

The types of aerospace products being produced in Mexico are diverse and aimed at moving steadily up the value chain. For example, five years ago Mexican workers in this industry were put to work weaving intricate wire bundles used in airplanes. Today Mexican based production includes machinery components, harnesses and wires, metal components for landing systems, plastic parts, heat exchangers, precision equipment, audio and visual systems, electronic components and interiors. Bombardier is producing fuselages and landing-gear systems.^{xviii} Aernnova is manufacturing large aero structures and Goodrich's Mexican plants manufacture a variety of aerospace parts such as engine casings, thrust reversers, turbine blades and damper seals for all major engine companies.^{xix} Currently there are mostly tier one and tier two suppliers such as Gulfstream, Honeywell Aerospace, Safran-Labinal, Lockheed Martin, Messier, Texas Instruments and others.^{xx} A shift to more advanced production techniques is evidenced as helicopters fuselages are being assembled in Mexico by MD Helicopters. The BASA agreement is providing mutual recognition between U.S. and Mexico for aircraft and spare parts manufacturers, which will make bilateral trade easier. By sometime in 2008, it is estimated that light planes and very small aircraft will be completely assembled in Mexico. Bombardier expects to completely assemble and export finished aircraft from Mexico by 2012.^{xxi}

Queretaro: A Rising Aerospace Industry Regional Hub

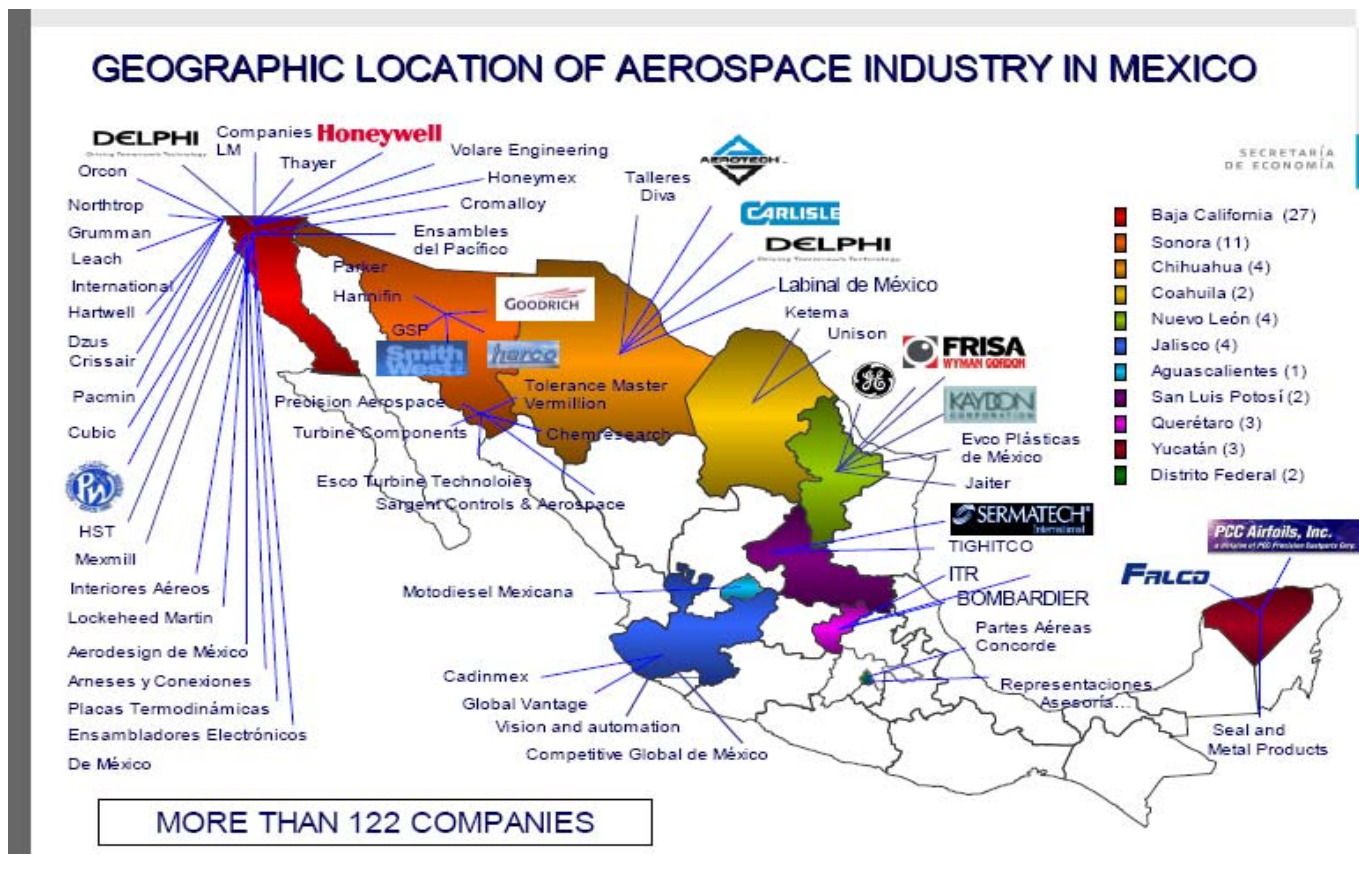
With the assistance of international and domestic private investment and through partnerships with educational and public institutions, Queretaro is positioning itself to be the "first" aerospace industry cluster in Mexico. This development builds upon Queretaro's previous boom as an auto-parts hub, which fell into decline about a decade ago with Detroit's downturn.^{xxii} Queretaro appears to be the Mexican relocation place of choice for international firms within the aviation and aerospace industries. It is important to note that in Mexico eight or ten large companies located within a single industry and region is sufficient to be labeled a flourishing industrial hub and/or industry cluster. As such, Mexican authorities maintain interest and involvement in such economic activity in order to maintain and foster quality employment and economic development.

Bombardier inspired this government, educational and industry joint venture, which currently is housing Bombardier as the anchor tenant and about 12 other suppliers. Mexico expects Bombardier to assist in attracting other companies south. To encourage this attraction, The State government donated land on which General Electric Co. and a local partner will develop a \$100 million dollar commercial aerospace park.^{xxiii}

Low wage labor is not enough to create sufficient value added within the aeronautical industry. In this sense, the federal government is also assisting in the creation of a competent workforce. A university campus in Queretaro, property of the Technological Institute of High Studies Monterrey (ITESM), created its first Design and Innovation Center for the Aerospace Industry (CEDIA) to satisfy the demands of a qualified and competent workforce required by the burgeoning industry. CEDIA has the collaboration of the Concordia University with a campus in Quebec, which is one of the main training centers for their neighbor, Bombardier.^{xxiv}

An industrial park called "Parque Aeroespacial", with a surface of 70 hectares hosts aeronautical suppliers and has recently been constructed around the Queretaro International Airport. In fact, part of Bombardier's production has been moved to this location where time savings will complement their more efficient production. Eventually, the challenge of supplying qualified engineers and staff to support such an industry will be met. Plans exist to expand the CEDIA concept to TEC Campus in the city of Monterrey and the TEC Campus in the city of Chihuahua. CEDIA is being also funded by the Ministry of Economy.^{xxv}

Eurocopter has also formed various agreements with educational institutions with the goal of developing helicopter pilots and mechanics (Escuela de Aviacion Mexico), developing academic, scientific and technological cooperation (CONALEP), and to support the technical and University degrees together with the National Polytechnic Institute (Instituto Politecnico Nacional, IPN).



Source: Estados Unidos Mexicanos, Secretaria de Economia (03/07/2007). "Recent Developments in Heavy and High-Tech Industries". p. 30

Note: The map shows a sample of the number of aerospace located in Mexico and it may differs from other information sources , including states statistics.

The Mexican government has taken interest in assisting in the development of airport infrastructure as well as in the development of Mexico's aviation industry. The Ministry of Economy has been working on a three stage plan for the aviation/aerospace industry. The first stage was focused on consolidating technical capacities in the metal-mechanics area and in the area of engineering that has been developed. Bombardier's decision to move to Mexico helped move to the second stage. The second stage is to begin manufacturing more complex and grand structures. This year the Mexican government is spending 44 million pesos on the country's first aeronautical university with the goal of developing highly qualified professionals to better serve the aerospace companies that have relocated to Mexico during the last four years.

Queretaro is not the unchallenged aerospace hub of Mexico. The Mexican state of Chihuahua, and its capital city with the same name, has become yet another aerospace cluster, underlying the advantage of a closer location to the U.S. border and their labor experience in the In-Bond industry during the last 30 years. Chihuahua has captured important investments to manufacture aerospace components and parts (as showed in the previous page) and has important manufacturing plants, such as Cessna (Textron), Labinal, Lockheed Martin and others.

Also in the cities of Mexicali and Tijuana, both in the State of Baja California, a metal-mechanic aeronautics industrial park has been established with funds from the Ministry of Economy and the World Bank,^{xxvi} with the purpose of gathering and promoting the relocation of shelter and in –bond operations related to the aviation and aerospace industries.

Market Data

As in other industrial sectors, the availability of statistics and figures about the market size and projections are limited. Official data does not include executive aircraft in a particular line when providing data about the general aviation industry. Mexican aviation industry specialists such as Mr. Manuel Ruiz Romero, from the Mexican Executive Aircraft and Air Taxi Association (ATAAAERMAC), have made efforts to try to estimate the market value, but relevant information has proven elusive and rare. Mr. Romero did, however, find information on 500 most valuable Mexican companies selected by Expansion and discovered that 26% of them (130 firms) have executive aircraft. Mr. Ruiz statistically linked this percentage of business ownership of private jets with the sales, assets, profits, numbers of employees, to show a positive correlation between productivity and the use of executive planes. Furthermore, in 2007 profits of the 500 most valuable Mexican companies selected by Expansion, 67% used, had or rented executive jets. This means that executive jets often have a business use and are not used solely as a status symbol.

SIZING UP THE NUMBER OF BUSINESS AVIATION AIRCRAFT

Registered Private Planes (XB category)

Year	Number of Aircraft Registered	% Growth/ % Change
2002	4,761	NA
2003	4,885	+2.6%
2004	5,281	+8%
2005	5,331	+1%
2006	5,403	+1.3%
2007	5,561	+3%

Registered Commercial Planes (XA category)

Year	Number of Aircraft Registered	% Growth, % Change
2002	1,158	NA
2003	1,213	+5%
2004	1,398	+13%
2005	1,406	+1%
2006	1,489	+6%
2007	1,646	+10%

Source: <http://dgac.sct.gob.mx/index.php?id=467>

Note: Aircraft registered with the Mexican Aircraft Registry, do not include aircraft with foreign registration (i.e. leased planes). Furthermore, given that several private jets can be foreign registered, the above data provides an incomplete picture of the number of actual aircraft operating in Mexico. Several industry sources have also explained that the majority of business jets that do get registered are categorized by the XA, as commercial jets and as such are grouped into the XA category. XB category includes those very small aircraft for agriculture use. This makes the task of separating commercial airline transport planes from business jets used for private use very difficult. In summary, be cautious of accepting these statistics as a completely accurate picture.

The task of counting the number of executive aircraft has proven difficult. Although official statistics from DGAC/SCT show respectable growth in both the registration of private planes (XB category in official statistics) and commercial planes (the XA category in official statistics), there is no data available about the number of aircraft in use, the registration year or the aircraft type.

The following Harmonized Tariff Schedule Codes for business aviation are useful in order to track the growth and volume of business aviation related imports into Mexico.

Relevant Harmonized Tariff Schedule Codes for Business Aviation

Harmonized Tariff Code	Description
88022001	Airplanes and other aircraft, of an unladen weight not exceeding 2,000 kg: Single engine airplanes
88022099	Airplanes and other aircraft, of an unladen weight not exceeding 2,000 kg: Other
88023002	Airplanes and other aircraft, of an unladen weight exceeding 2,000 kg but not exceeding 15,000 kg: Turbofan powered
88023099	Airplanes and other aircraft, of an unladen weight exceeding 2,000 kg but not exceeding 15,000 kg: Other
88024001	Airplanes and other aircraft, of an unladen weight exceeding 15,000 kg: w/ all sub-items

Source: United States International Trade Commission. "Harmonized Tariff Schedule of the United States (2008)."

For more detailed information, visit <http://www.usitc.gov/tata/hts/bychapter/index.htm>

Note: For the purposes of subheadings 8802.11 to 8802.40, the expression "unladen weight" means the weight of the machine in normal flying order, excluding the weight of the crew and of fuel and equipment other than permanently fitted items of equipment.

Import Value of Business Aviation Related Products into Mexico (Millions of Dollars), 2003-07

H. Tarriff Code*	Year	World Imports (millions USD)	U.S. Imports (millions USD)	% U.S. Participation	U.S. Imports Growth
88022001	2003	0.173969	0.173969	100%	NA
	2004	0.349028	0.349028	100%	50%
	2005	0.386085	0.380985	99%	8%
	2006	0.588721	0.588721	100%	35%
	2007	0.177194	0.177194	100%	-232%
88022099	2003	14.154441	13.61776	96%	NA
	2004	7.098185	6.695471	94%	-103%
	2005	10.03908	9.46372	94%	29%
	2006	9.168756	7.699937	84%	-23%
	2007	12.577362	11.930547	95%	35%
88023002	2003	3.238107	3.238107	100%	NA
	2004	98.129893	0.025	0%	-12852%
	2005	0.095767	0	0%	0%
	2006	1.275097	1.239668	97%	100%
	2007	1.670017	1.670017	100%	26%
88023099	2003	94.669711	68.343376	72%	NA
	2004	44.85925	26.116552	58%	-162%
	2005	26.257514	25.942325	99%	-1%
	2006	39.267605	28.053311	71%	8%
	2007	313.745814	44.4912	14%	37%
88024001	2003	43.265004	23.529404	54%	NA
	2004	13.024092	12.809643	98%	-84%
	2005	2.969855	2.969855	100%	-331%
	2006	0.75214	0.752194	100%	-295%
	2007	336.643106	2.596871	1%	71%

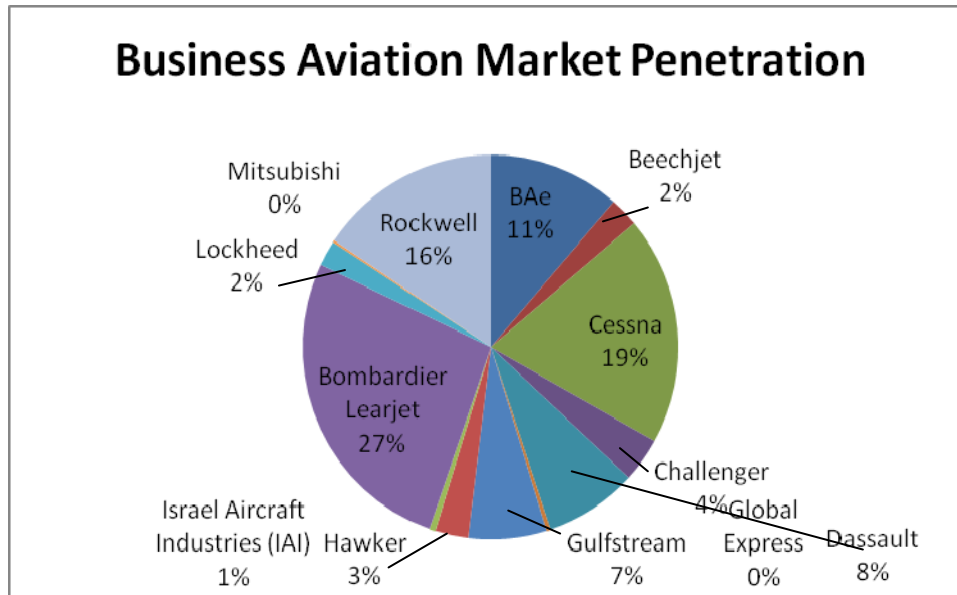
**HTC full description included in previous page.*

Source: World Trade Atlas, courtesy of Promexico. July 2008.

As shown in the table above, during the last five years, Mexico's share of aircraft imports has been dominated by U.S. suppliers with a market share of up to 85%, where figures are available. Nevertheless, in 2007, in the tariffs codes: 88023099 and 88024001, U.S. market share decreased from the previous year, in the first case from 71% to 14%, and in the second, from 100% to 1%. These codes include large aircraft/airplanes with a weight from 2,000 kg. to more than 15,000 kg. At the same time, in four of the five tariffs codes, Mexico' imports from the U.S. grew from 26% to 71%.

On the other hand, business jet imports are not necessary included in official statistics. Air taxi services are an activity used for business aviation to temporary import jets for private use. Aircraft temporary importations are difficult to identify as Mexico's import statistics do not clarify or separate both concepts.

Only after an average period of 15-20 years, air taxi service companies commonly return aircraft to origin (U.S. mainly) and replace them with new units.



Source: LAAS International. (<http://www.laasdata.com/corpjet/index.php#>)

Note: This graph was constructed by the US Commercial Service Mexico City using the data available on the LAAS International website of nearly 600 registered general aircraft in the Mexican market that appeared to be private or business uses (i.e. non-commercial/ non-military). However, the LAAS database warns that "aircraft on the South American registers, particularly Mexico, continue to be problematic and where no further details have become available a number of aircraft are included under the country given as the reason for cancellation from the U.S. register. Similarly there are a number of confirmed sightings of aircraft that have not been tied up and these are included without con no detail. While every effort has been made to weed out those aircraft no longer in use some will clearly have escaped the net. Post Sept 11th, internet access to the official AMARC listings was withdrawn so we are relying on official information as of July 2001 and unofficial information thereafter." Therefore, due to unguaranteed accuracy of the data, the results of this should be treated as highly speculative.

The executive aviation market in Mexico today contains some of the main aircraft brands available worldwide, their presence in the market is not new, with the exception of Embraer. In Mexico, the most prominent business planes or jets include: Bombardier' Learjet, Cessna models including Citation, Falcon 7X, Diamond Aircraft, HondaJet and Hawker (from Hawker Beechcraft).

Airport Infrastructure

Annually Mexico receives over 22 million visitors by air, 88% of which are from the U.S and Mexican air traffic growth has been outpacing economic growth since 2002.^{xxvii} Such increases have placed severe strains on Mexico's airport infrastructure to handle such demand. Current plans are underway to increase and expand airport capacity throughout the country.

The Toluca International Airport remains the capital of business aviation in Mexico. Its location proximity to Mexico City and a ban on private aircraft at Mexico City's main airport, Benito Juarez International Airport, have driven private aircraft wishing to land in Mexico City to the Toluca International Airport since 1994. As such, the main business aviation related companies have set up bases at the Toluca Airport. Currently this airport operates over

90,000 non-commercial operations per year.^{xxviii} Everyday Toluca airport has approximately 350 operations of which 200 are considered business aviation flights while 150 are commercial flights.^{xxix} Other important Mexican destination airports for business aviation besides Toluca Int. Airport are San Jose del Cabo, Monterrey, Guadalajara, Leon, Tijuana, Cancun and Torreon. For example, Aerolineas Ejecutivas, S.A., one of Mexico's largest business aviation companies has bases in Toluca, Monterrey, Guadalajara, and is debating between Leon, Tijuana, Cancun or Torreon for the location of its fourth base.^{xxx}

The graph below depicts a vision several years into the future for Mexican Airport Infrastructure. As a part of Mexico's National Infrastructure Plan (NIP), the goal is to build at least three new airports in Mexico and expand thirty-three airports, by 2012, using national and international private and public investment. However, not all airport expansion and creation projects will affect Business Aviation Infrastructure. For example, Mexico City's main airport, Benito Juarez International Airport, has received a \$227 Million federal funded grant to expand, but business aviation and private jets are not allowed to land at this location, due traffic congestion and volume of international flights landing in the city. Principally, the most significant airport expansions that will affect the capacity to handle increased business aviation traffic are the airports of San Jose del Cabo, Puerto Vallarta, Toluca and Cancun. As airport infrastructure improves, potential bottlenecks to growth in the aviation industry are lessened.

Infrastructure in 2012



Source: National Infrastructure Program 2007-2012. <http://www.infraestructura.gob.mx/>

Best Prospects

As we mentioned before, according with Mr. Ruiz (ATAERMAC), of the top 500 most important companies in Mexico, 26% of them have private jets. In addition, the private sector is the main consumer of jets due to business trips and complex itineraries. Commonly, business owners are also jets owners and there is a need of

maintenance, overhaul, parts, etc. In the mid- term, private aircraft will be replaced by new models with more advanced technology.

At the same time, several Mexican State governments have at least one or two aircraft for official use. The use of helicopters has been relevant as pricing is more competitive and maintenance is less expensive.

Service providers and aircraft representatives in Mexico believe that clients will soon be renewing their aging fleets. Industry experts have a positive outlook on the market demand for the next few years despite the expectations of an impact on the business aviation industry by slow economic growth.

While some corporations have their own aircraft fleets, other alternatives such as air taxi services and “time shared” with other users, which reduce maintenance and hours’ flight costs, have been successful business models in Mexico for aircraft, jets and helicopters. Given that a good number of aircraft are present, business passengers have more options to select the type of transport to best suit their needs. Competition in this market will have a positive effect on improving quality, costs and service.

The business aviation market represents attractive business opportunities both for new aircraft brands and also for MRO and FBO services. New service providers may take advantage of clients that are used to having such services through local companies, but are always interested in reducing costs and having better warranties.

Business opportunities related to Business Aviation

As demand for private air travel increases in Mexico, the following related opportunities have been identified:

MROs and FBOS. According to Gilberto Lopez Meyer, General Director of the Mexican Civil Aeronautical Authority, there are not enough specialized service providers for business aviation in Mexico. For example, in many airports there are not basic services for private aircraft, a lack of waiting rooms for passengers without even mentioning maintenance and repairs shops.^{xxx}

Some Mexican international airports may be excellent location for MRO and FBO business aviation specialized services: Toluca, Cancun, Monterrey and Guadalajara. Obviously, the installation of a MRO center would mean a significant investment that would require a strong marketing and sales strategy and would produce earnings in the medium term.

An MRO and/or FBO services will support other additional and related services from other industries, such as, insurance, appraisers, fuel suppliers, banks and leasing services, and would drive a more complete regional development with the establishment of schools, pilots association, and security services in years to come.

On the other hand, the business aviation industry has good forecasts for the next few years. All our information sources have agreed on its profitability if a local business partnership is properly handle and parties have a solid commitment to stay, understand and work together with a common purpose in mind. There are already strong competitors in the market, but new brands, services and new market approaches will enrich a market with a steady demand and new needs.

Key Suppliers

The Mexican market has some companies that are already offering services for the business aviation. The majority of them are located near the Toluca International Airport and to the Mexico City International Airport. Nevertheless, it is possible to find some other services providers in the cities of Monterrey and Guadalajara. In contrast, the majority of foreign aircraft representatives are in Mexico City, largest metropolitan area in the country (approx. 22 Million people) and where main corporate headquarters are located.

Air taxi services may expand their operations if their uses include new modalities as in the tourism industry, and if the security standards are guaranteed both for users and air traffic control.

At this time, services available for the executive aviation include MRO and FBO services, but as more aircraft are regularly operating; more services options will be available.

Some of the most recognized companies include the following firms:

Aerolineas Ejecutivas, S.A. de C.V./Raytheon Aircraft Services

Lotes 14-18
Aeropuerto Internacional de Toluca
50200 Toluca, Mexico
T:+52-(722) 279-1634
F.:+52-(722) 273-3121
<http://aerolineasejecutivas.com.mx>

Aerostern, S.A. de C.V.

Calle Las Huertas No. 107, depto. 1110 B
Col. del Valle
C.P. 03100, Mexico, D.F.
T: +52 (55) 5524-4530
F: +52 (55) 5534-2948
E-mail: aerostern@prodigy.net.mx

Aeropuertos del Sureste, (ASUR)

Aeropuerto Internacional de Cancún\Carr. Cancun-Chetumal Km. 22
77565 Benito Juarez, Quintana Roo
T: +52-(998) 848 -7200
F: +52- (998) 848-7200 ext. 1110
<http://www.asur.com.mx/asur/Ingles/aeropuertos/cancun/cancun.asp>

Arcor International, S.A. de C.V.

Cadiz No. 56 Despacho II
Col. Insurgentes Mixcoac
03920 Mexico, D.F.
T: +52 (55) 5598-2406
F: +52 (55) 5615-5574
E-mail: acorinternacional@arcorgroup.com.mx

Centro de Servicio Avemex, S.A. de C.V.

Calle 4 Hangar 14 Lote 35,
Aeropuerto Internacional de Toluca
50200 Toluca, Estado de Mexico
T: +52 (722) 279- 3000
F: +52 (722) 2793000
E-mail: vuelos@avemex.com
<http://www.avemex.com.mx>

Servicios Aereas Estrella, S.A. de C.V. (SAE)

Aeropuerto Internacional de Toluca Calle 1, Hangar 1
50209 Toluca, Estado de Mexico
T:+52-(722) 548-0200 ext. 2111
F.:+52-(722) 548-0201
<http://www.sae.com.mx>

A Contact list with several companies related to executive aviation is available through the U.S. Commercial Service Mexico City. Please contact us for further information.

Market Entry

There are no official barriers to entry for U.S. companies in business aviation industry. However, succeeding in the market would require sustained efforts, investment, time, a marketing strategy (promotion) and in some market segments, even to have a physical local presence.

In Mexico, business is done on the basis of personal relationships. U.S. exporters will need to travel to Mexico frequently to develop and strengthen relationships in order to do business successfully in Mexico. Word-of-mouth referrals are very important and relationships inside main business groups are built in the long term.

Mexican companies tend to be extremely price conscious and appreciate outstanding service. Time is essential to cultivate trust to enhance a professional partnership. In the case of selling jets, key high level contacts are extremely important, so personal attention must be given to important clients. In terms of aircraft leasing and “time share” through a membership program, a special promotion scheme should be prepared to attract target clientele.

Several market entry strategies have proven to be effective in Mexico. In general, Mexicans appreciate close working relationships, so working with a locally-based agent, representative or distributor is usually successful. However, market entry strategies can vary by sector and region in Mexico. U.S. Commercial Service staff is available to provide individualized counseling to determine the best market entry strategy for a given U.S. company/product.

The helicopter market has several firms with an established presence (Bell and Eurocopter). As mentioned before, in Mexico Sikorsky is the main supplier of military and defense helicopters. Nevertheless, other brands, such as MD, Augusta, Kaman, Ernstrom and Sinus, have found their market niche and are working through representatives and distributors.

Market Issues & Obstacles

Location, low cost, talent, NAFTA and Mexico’s other trade agreements with 49 countries ensure an environment that is open to trade. There is a capacity and talent developed in the automotive and electronic industry which helps in metal mechanic and other areas that are key for the development for the industry.

In an unprecedented move designed to promote investment in the aerospace industry, Mexico has dropped all import duties on aeronautical components, something that it never did for the garment, automotive parts or electronics industries.^{xxxii}

As of September 2007, aeronautical producers operating in Mexico must now follow the details outlined in the Bilateral Aviation Safety Agreement (BASA), an agreement between the United States and Mexico which will enhance safety and efficiency in this industry. The agreement, in practice, will remove barriers and make the outsourcing of production for U.S. companies easier to accomplish.

For example, BASA allows Mexican manufacturers to certify and ship components directly from Mexican factories, instead of returning them to the U.S. to be completed and checked for safety standards. In short, if looking to ultimately sell the Mexican manufactured product in the United States, the product must meet the standards and rules as outlined by the Federal Aviation Administration (FAA). This process first requires that products be certified through one of several methods. For more information on certification requirements and methods to comply with the BASA, please contact:

U.S. Department of Transportation

Federal Aviation Administration
800 Independence Avenue, SW
Washington, DC 20591
1-866-TELL-FAA (1-866-835-5322)

Trade Events

- **Aero Expo 2009 (May 21-23, 2009), International Aviation Trade Show & Convention:**
www.aeroexpo.com.mx

US Commercial Service will host a U.S. Pavilion in its 7th Edition. Aero Expo is the most important industry event in Mexico. It is a biennial international exhibit and will have more than 250 exhibitors in a surface of 10,000 sq. meters. Other activities complement the trade show, such as Conferences and a static display.

Please contact Silvia Cardenas (Silvia.cardenas@mail.doc.gov) if interested in having a booth within the U.S. Pavilion.

Resources & Contacts

Related Associations

Asociación de Aerotaxis y Aviones Ejecutivos de la República Mexicana, A.C. (ATAAERM,AC)
Phone. +52-(55) 5601-7305, 5601-7152

Asociación Latinoamericana de Aeronáutica (Latin American Aeronautical Association)
<http://www.ala-internet.com/>

Center of Integration for the Automotive and Aeronautical Industry (CIIAAS)
<http://www.ciaas.org/>

Mexican Government Resources

The National Infrastructure Plan
<http://www.infraestructura.gob.mx>

PROMEXICO
<http://www.promexico.gob.mx>

Ministry of Communications and Transportation
<http://www.sct.gob.mx>

State of Chihuahua
www.chihuahua.gob.mx

Ministry of Economy
<http://www.economia.gob.mx>

State of Queretaro
www.queretaro.gob.mx

Collaborators

- We would like to kindly thank several industry contacts that supported the preparation of this market report with information and comments:

- Aerolineas Ejecutivas, S.A. de C.V.
- Asociacion de Taxis Aereos y Aviones Ejecutivos de la Republica Mexicana, A.C.
- Centro de Servicio AVEMEX, S.A. de C.V.
- Arcor Internacional, S.A. de C.V.
- Aerostern, S.A. de C.V.

For More Information

The U.S. Commercial Service in Mexico City, Mexico can be contacted via e-mail at: silvia.cardenas@mail.doc.gov Phone (52-55) 5140-2600 ext. 2670; Fax: 52-55-5566-1111; or visit our website: <http://www.buyusa.gov/mexico>

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Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: Customer.Care@mail.doc.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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Footnotes

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